



June 17, 2008

Honorable Mayor, members of the City Council and the community of Maricopa, I respectfully present the FY09 Annual Budget for all funds of the City of Maricopa to you and the citizens of Maricopa for your consideration and for City Council approval of the final Annual Budget at Council meeting set for June 17, 2008.

Current Economic Conditions

Major economic realities have required our budget process to proceed in a conservative methodology. This budget reflects the current economic condition's impacting on the City's budget for the upcoming year. Maricopa, like other communities in the state of Arizona, is experiencing a downturn in the housing market.

This economic reality has caused Council to approve, in February 2008, a budgetary reduction to the fiscal year 2008 budget of over \$18.3 million. This budget adjustment eliminated 20 positions and many capital projects' funding. The budget adjustment coupled with a newly implemented attrition policy has eliminated an additional 6.5 positions for a total of 26.5 positions and related costs. These reductions in personnel have long term impact to future budgets by holding down costs.

The overall effect of the current economic condition caused us to do a detailed analysis of revenue estimates related to construction. A cautious approach was used in estimating the effects of the downturn on the construction sales tax revenues. Average home sales were estimated at an average of 100 homes per month. State shared revenues have also experienced reductions due to lower collections of construction sales taxes at the state level. Real estate industry specialists are predicting a slow stabilization of the current situation in the new housing market as of April 2008.

The downturn has started to level off and may remain flat for a period. The City permitting levels should return to a reasonable growth pattern for a community of this size. Our City may never again experience growth rates like the 600- 700 single family residential permits per month in 2005, but more likely permit levels at 100-200 single family residential per month, which is a more manageable growth. Our construction revenues are not as severely influenced by the downturn as other Pinal County communities but they could be affected in the near future; a conservative approach is warranted at this time.

Budget Overview

- The total proposed budget for all funds is \$80,533,509, which is \$13,000,896 less than last year's, a 13.9% decrease. The major reductions to this budget relate to decreases in personnel costs and the fiscal responsiveness of departments' decisions in what is necessary for operations verses deferral of some projects.
- The general fund budget has substantial reductions due to decreases in implementation of projects and lower personnel costs. The general fund budget is \$37.6 million, which includes a \$4 million contingency fund. This is a \$19,775,671 reduction in the general fund budget, a 34.5% decrease. There is a total of \$8.4 million of capital projects with \$5.8 million detailed in the Capital Improvement Plan.

City Manager's Budget Message

- Carry forward fund balances exceed \$105.7 million for all funds in the budget. The general fund carry forward balance is estimated at \$70 million. Total resources available for all fund operations in FY09 exceed \$147.1 million, which include \$41.5 million of all fund projected revenues. During this economic downturn there is an opportunity to create jobs and have positive economic impacts to the local economy by building infrastructure projects such as road improvements, the new library, park expansion and other community capital projects.

Revenues

- This budget will convey an operations level at a lower rate of growth than previous years, in fiscal year 2007, average single family residential permits were 223 per month. As of April 2008, current average single family residential permits were 137 per month. The average single family residential permits of 100 per month was used as a baseline model for all revenue projections related to construction, including development impact fees, permit and engineering fees and construction sales taxes.
- Property tax assessments have had an increase of \$1,636,487 in total assessments with property tax rate decreases from \$3.7565 to \$3.2326 per \$100 in assessed valuation. The valuation base has increased due to newly constructed homes being added to Maricopa's city tax rolls. Overall valuations have decreased with individual home values that also declined due to economic conditions related to housing market adjustments.
- Retail sales tax revenues have stabilized at about \$200,000 per month in projected tax revenues with unpredictable future impacts from new commercial development. Construction sales tax projections use a production rate of 100 single family residential permits per month. These construction sales tax projections also show decreases in home valuations as well as reductions in the overall projection of revenues from construction activities.
- Another factor in construction sales tax revenues is commercial projects that are completed within the City. (It is harder to predict revenue than compared to regular housing construction.) More trend history is needed for staff to develop a reliable model for projection of this revenue based on commercial projects scheduled within the city, for both development impact fee projections and commercial construction sales tax projections.

REVENUE SUMMARY BY FUND TYPE

FUND TYPE	REVENUES ADOPTED BUDGET FY08	REVENUES ACTUAL FY08	REVENUES PROPOSED BUDGET FY09
General Fund	\$ 44,879,672	\$ 27,489,467	\$26,785,206
Special Revenue Funds	\$ 5,449,853	\$3,724,647	\$ 8,253,229
Capital Improvement Funds	\$ 13,509,314	\$ 6,142,837	\$ 6,426,400

Expenditures

- Estimated expenditures are comprised of the same funds as revenues. The total budget for the general fund is \$37.5 million, which is composed of the following categories:
 - \$18.6 million of personal services (salaries and related benefits)
 - \$7 million of professional & technical services (contracted professional services and other contracted services)
 - \$648,000 in purchased property services (utilities, repairs, maintenance and rental costs)
 - \$1.4 million in other purchased services (dues, phone, advertising, printing, postage, training and mileage)
 - \$1.4 million in supplies (office supplies, fuel/oil, meals, books/periodicals, non-capital equipment)
 - \$8.4 million of capital outlay (capital projects)
 - Contingency reserve is \$4 million or 10.6% of the general fund budget.
- Expenditures were based on Council priority, current levels of personnel and program costs. General fund allocations reflected these costs by division with the three highest costs as follows:
 - Public safety represents the majority of allocations with \$16.0 million or 42.5%
 - Transportation with over \$4.1 million or 10.9%
 - Parks, Recreation and Libraries with over \$3.4 million or 9.1%
- Due to limited resources there were only three new positions added to the current level of personnel for the city. One position was added to the Facilities Maintenance division to handle city wide custodial duties. The other two new positions were added in the Public Works-Streets division. Total budgeted positions for the City are 215 for fiscal year 2009. The allocations of personnel were similar to spending trends as follows:
 - Public Safety at 59.1% or 127 positions
 - Development Services with 6.5% or 14 positions
 - Public Works-Street with 4.2% or 9 positions
- Major highlights to the general fund budget are as follows:
 - City Magistrate budget increases due to the new IGA for additional staff, handling City court increased activities.
 - City Council budget increases due to higher dues associated with governmental association dues caused by population increases.

City Manager's Budget Message

- City Manager's office has requested funding of Customer Relations Management software to manage citizen information requests, assistance and needs.
- IT department has requested funding of various capital projects including computer room upgrade, fire department connectivity and a GIS upgrade.
- Marketing & Communications is a new department with requests for website design upgrade, government channel programming, and citizen training outreach programs.
- Budget Office has requested budget software to computerize the budget process and provide better trend analysis.
- Code Enforcement is a new department with requests for a vehicle and additional full-time personnel costs under an IGA for animal control.
- Facilities Management has a new employee to handle custodial duties city wide and includes the elimination of higher costing contracted services.
- Code Enforcement and Parks/Recreation departments have requested Customer Relations Management software to handle citizens concerns for Code Enforcement and Recreational registrations and park requests.
- Economic Development has requested funding for Redevelopment and other Economic Development projects.
- Capital improvement projects as outlined in the CIP are Pacana Park expansion, remodel old library into a new teen center with skate park elements for parks, recreation and the new library. Transportation has requested the capital projects for Safe Routes to Schools improvements, transit project, street maintenance and major road improvement projects. County ½ Cent Road Tax will have dust prevention programs, road maintenance funding, construction of a public works facility, shop and fueling facility.

EXPENDITURES BY FUND TYPE

FUND TYPE	EXPENDITURES ADOPTED BUDGET FY08	EXPENDITURES ACTUAL FY08	EXPENDITURES PROPOSED BUDGET FY09
General Fund	\$ 45,555,103	\$ 24,874,372	\$37,561,028
Special Revenue Funds	\$ 6,192,900	\$ 1,695,018	\$ 12,441,530
Capital Improvement Funds	\$ 24,016,205	\$ 2,343,835	\$ 30,530,951

City Manager's Budget Message

In conclusion, this budget has no bond indebtedness. This does not mean this will not be a funding mechanism in the future of the city. No bonding is planned at this time.

ACKNOWLEDGEMENTS

This budget reflects the hard work and cooperative efforts of both City Council and management staff to produce a budget that reflects the balance between the current economic realities and the desire to provide the best government possible during these current conditions for the citizens of the City of Maricopa.

It is with great pleasure and purpose that we serve the citizens of Maricopa.

Respectfully submitted,



Kevin Evans
City Manager



Corrine Wilcox-Cornn
Budget Manager